

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6910
BILL NUMBER: HB 1213

NOTE PREPARED: Jan 29, 2003
BILL AMENDED: Jan 28, 2003

SUBJECT: Credit Scoring.

FIRST AUTHOR: Rep. Fry
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill imposes several requirements on an insurer's use of credit information in the underwriting of personal property and casualty insurance. The bill makes a violation of the requirements an unfair and deceptive act in the business of insurance.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) The Department of Insurance may spend additional time reviewing insurer scoring models or other scoring processes. It is assumed that this function can be accomplished with current staff and resources.

The bill includes a provision that the insurance company may not take an adverse action based upon credit information if the individual has had continuous coverage with the company and has a clean driving record for the past two years.

Explanation of State Revenues: (Revised) This bill makes a violation of the criteria regarding use of credit information an unfair and deceptive act in the business of insurance.

The civil penalties set forth for an unfair and deceptive act are: \$25,000 for each act or violation, or \$50,000 for each act or violation if the person knew or reasonably should have known that he or she was in violation of this chapter. The remediation efforts undertaken by the person will be used in determining the amount of the civil penalty. In addition, if the person knew or reasonably should have known that he or she was in violation of this chapter, the Commissioner may suspend the person's license or certificate of authority. Penalties are to be deposited in the state General Fund.

During 2000 and 2001, there were a total of nine acts of unfair and deceptive acts and practices in the business of insurance. This bill may increase the number of unfair acts each year, however, the number of cases is not known at this time. Each case of unfair and deceptive act in the business of insurance would result in a fine of between \$25,000 and \$50,000 per occurrence.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance

Local Agencies Affected:

Information Sources: Greg Thomas, Chief Deputy Commissioner, Department of Insurance, (317) 232-2406; IC 27-4-1-6.

Fiscal Analyst: Michael Molnar, 317-232-9559